

Washington Suburban Sanitary Commission (WSSC)

AGENCY DESCRIPTION

The Washington Suburban Sanitary Commission (WSSC) is a bi-county agency directed by a board of six commissioners, three each from Prince George's County and Montgomery County. The commissioners are appointed by the respective jurisdiction's Executive and confirmed by its County Council.

The WSSC is responsible for providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's counties and which, in Montgomery County, excludes the Town of Poolesville and portions of the City of Rockville.

PROGRAM DESCRIPTION AND OBJECTIVES

The principal objective of the Capital Improvements Program (CIP) is the programming of planning, design, land acquisition, and construction activities on a yearly basis for major water and sewerage facilities. These facilities may be necessary for system improvements and/or service to existing customers, to comply with Federal and/or State environmental mandates, and to support new development in accordance with the counties' approved plans and policies for orderly growth and development.

The CIP submission includes all major projects, defined as extensions, projects, or programs involving water and sewer facilities. Major projects include: sewer lines 15 inches in diameter or larger; sewage pumping stations, storage facilities, and force mains; sewage treatment facilities; water mains 16 inches in diameter or larger; water pumping stations; water storage facilities for raw and potable water; water treatment facilities; and other major facilities.

The section following this narrative ordinarily shows only the WSSC project description forms (PDFs) for which the Executive recommends changes to the Commission's request. Those PDFs would be preceded by project briefs which provide a description of the change and the Executive's rationale. The complete set of PDFs submitted by the Commission can be found on the WSSC web site at: <http://www.wsscwater.com>.

In addition, a report noting the Commission's request by project follows the same report outlining the County Executive's recommendation by project. For this year's proposed CIP budget, these additional documents will not follow this narrative given that the Executive is not recommending changes to the budget proposed by WSSC.

PROGRAM CONTACTS

Contact Mark Brackett of WSSC's Budget Group at 301.206.8179 or Matt Schaeffer of the Office of Management and Budget at 240.777.2766 for more information regarding this agency's capital budget.

CAPITAL PROGRAM REVIEW

This narrative applies only to the Montgomery County and Bi-County water and sewerage projects. Projects that serve only Prince George's County are not included.

Agency Request

The total of \$1,548.7 million in six-year expenditures proposed by the WSSC for FY17-22 is \$103.7 million (6.3 percent) under the FY16-21 approved total of \$1,652.4 million. The decrease in six-year costs is the net result of cost changes in both the water and sewer projects with the largest cost changes seen in the Blue Plains projects and the Trunk Sewer Reconstruction Program.

The FY17-21 CIP request includes 40 ongoing, five closeout projects, and three pending closeout projects. There are no new proposed projects.

The following table compares the six-year expenditures and funding approved for FY16-21, requested by WSSC for FY17-22, and recommended by the County Executive for FY17-22.

MONTGOMERY COUNTY/PRINCE GEORGE'S COUNTY/BI-COUNTY SPLIT						
(FY17-22 Proposed CIP)						
	FY17		6-Year		Total Cost	
	\$ (000)	% of Total	\$ (000)	% of Total	\$ (000)	% of Total
Montgomery County Water Projects	12,956	2.6%	30,139	1.5%	43,938	1.0%
Montgomery County Sewer Projects	12,345	2.5%	25,847	1.3%	82,128	1.9%
Prince George's County Water Projects	66,565	13.5%	230,196	11.7%	316,433	7.2%
Prince George's County Sewer Projects	60,782	12.3%	196,152	9.9%	456,800	10.4%
Bi-County Water Projects	101,462	20.6%	523,156	26.5%	867,508	19.8%
Bi-County Sewer Projects	238,616	48.4%	969,654	49.1%	2,619,359	59.7%
TOTAL	492,726	100.0%	1,975,044	100.0%	4,386,164	100.0%
All Montgomery County Projects	25,301	5.1%	55,986	2.8%	126,064	2.9%
All Prince George's County Projects	127,347	25.8%	426,348	21.6%	773,233	17.6%
All Bi-County Projects	340,078	69.0%	1,492,710	75.6%	3,486,867	79.5%

Executive Recommendation

The County Executive recommends adoption of the FY17-22 CIP as proposed by WSSC.

HIGHLIGHTS

- Continue construction of improvements to wastewater treatment and solids handling facilities at the regional Blue Plains Advanced Wastewater Treatment Plant in order to achieve environmental goals and improve efficiency.
- Continue the Large Diameter Water Pipe & Large Valve Rehabilitation Program to repair, replace, monitor, and protect large cast iron and pre-stressed concrete cylinder pipe (PCCP) water mains and rehabilitate large valves.
- Continue the Trunk Sewer Reconstruction Program to inspect, evaluate and repair sewer mains in environmentally sensitive areas.
- Continue a high level of replacement of small diameter water mains by maintaining the FY16 measure of 57 miles in FY17.

SPENDING CONTROL LIMITS

In order to reduce the magnitude of water and sewer rate increases, the Montgomery and Prince George's County Councils adopted a spending affordability process in April 1994. The process requires the counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then to adopt corresponding limits on the size of the capital and operating budgets.

While the spending limits technically apply only to the first year of the six-year program, the purpose of the limits includes controlling debt, debt service, and rate increases over the longer term. The FY17 spending control limits adopted by the Montgomery County Council are shown below with their outyear projections. The first year of the Commission's proposed CIP is consistent with the approved FY17 spending control limits shown below, as is the County Executive's recommended CIP for WSSC.

FY17 WSSC SPENDING CONTROL LIMITS ADOPTED BY THE MONTGOMERY COUNTY COUNCIL (AND OUTYEAR PROJECTIONS)						
	FY17	FY18	FY19	FY20	FY21	FY22
New Debt Requirement (\$000)	\$476,810	\$462,345	\$396,326	\$365,349	\$303,170	\$238,093
Total W/S Operating Budget (\$000)	\$729,168	\$768,561	\$818,731	\$866,007	\$908,595	\$944,878
Debt Service (\$000)	\$250,762	\$273,606	\$296,463	\$317,287	\$333,817	\$343,669
Average Rate Increase	3.5%	10.3%	7.6%	6.8%	5.8%	4.5%

Source: Montgomery County Council Resolution 18-303 and WSSC Budget Group.

WSSC'S LEVEL OF BONDED INDEBTEDNESS

Debt Service

The Executive and Council monitor the WSSC's bonded indebtedness and debt service level. Total outstanding water and sewer bond debt has risen 96.2 percent since FY09, and total water and sewer debt service is up 57.3 percent over the same period, as shown in the following table. However debt service as a percentage of water and sewer operating expenditures remained relatively stable between FY09 and FY15, averaging 34.8 percent.

WSSC BONDED INDEBTEDNESS AND DEBT SERVICE						
(\$ in Millions)	ACTUAL FY11	ACTUAL FY12	ACTUAL FY13	ACTUAL FY14	ACTUAL FY15	ESTIMATED FY16
End of Fiscal Year - Total Outstanding Bond Debt (includes Storm Water Drainage Bonds)	\$1,421.8	\$1,556.8	\$1,878.3	\$1,952.5	\$2,171.4	\$2,456.8
Outstanding Water and Sewer Bond Debt	\$1,076.8	\$1,240.1	\$1,595.5	\$1,696.7	\$1,747.5	\$2,059.0
Total Debt Service - All Operating Funds	\$239.6	\$223.0	\$227.6	\$249.1	\$248.0	\$255.3
Debt Service as a % of Total Operating Exp.	41.8%	39.3%	39.1%	40.6%	38.0%	36.0%
Debt Service in Water/Sewer Operating Exp.	\$152.5	\$175.7	\$184.2	\$210.8	\$222.0	\$235.6
Water/Sewer Debt Service as a % of Total Water/Sewer Operating Expenditures	31.5%	39.0%	34.2%	36.7%	35.5%	34.3%

Source: WSSC Budget Group

The debt service ratio is projected to be 34.4 percent in FY17 and is not projected to go over 40 percent during the next six fiscal years. WSSC continues to meet the Commission's goal to keep the debt service ratio under 40 percent.

PROJECTED WSSC DEBT SERVICE RATIO UNDER THE COUNTY'S APPROVED SPENDING CONTROL LIMITS						
	FY17	FY18	FY19	FY20	FY21	FY22
Debt Service as a % of Total Water and Sewer Operating Expenditures	34.4%	35.6%	36.2%	36.6%	36.7%	36.4%

Source: WSSC Budget Group

Debt Capacity

State law provides for the option of a tax levy against all assessable property in the Washington Suburban Sanitary District by Montgomery and Prince George's Counties to pay for the principal and interest on WSSC bonds. This provision, which would be exercised only if requested by the WSSC, does not constitute a pledge of the full faith and credit of the two counties. However, WSSC bonds are part of the overlapping debt of County agencies. As of June 30, 2014, WSSC debt represented 57.8 percent of Montgomery County's gross overlapping debt. The amount of debt that the WSSC issues is therefore a factor in rating agency assessments of the credit worthiness of Montgomery County. In addition, increasing levels of debt service can lead to increases in the combined water and sewer rate.

"INFORMATION ONLY" PROJECTS

The WSSC is obligated by State law to submit for CIP review and approval only major water and sewerage projects. However, the Commission undertakes other kinds of capital projects which are shown separately in the CIP. These "Information Only" projects may be included for a number of reasons, including: fiscal planning purposes; to improve the reader's understanding of the full scope of a specific set of projects; or in response to a request from one or both of the county governments. "Information Only" projects are subject to review and approval as part of the annual WSSC Operating and Capital Budget, which is acted on by the Council in the spring.

The FY17-22 "Information Only" projects include the Water and Sewer Reconstruction projects, Engineering Support Program, Advanced Metering Infrastructure, and Entrepreneurial Projects.

The total FY17-22 budget for the Information Only projects is \$1,186.6 million, a 3.8 percent increase from the \$1,143.3 million approved for the FY16-21 CIP. This increase is the net result of cost changes throughout the projects.

Total proposed FY17-22 spending on the Water and Sewer Reconstruction "Information Only" projects will increase by \$28.6 million (3.2 percent). The accompanying metrics for miles of water main replacement and sewer main rehabilitation can be seen below in the following table.

SMALL WATER AND SEWER MAIN RECONSTRUCTION INCLUDED IN WSSC'S PROPOSED FY17-22 CIP								
	Approved	Proposed FY17-22						FY17-22
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Total
Water Main Replacement (mi.)	57	57	57	57	57	57	57	342
Sewer Main Rehabilitation (mi.)	2	17	11	13	13	13	13	80

Source: WSSC Budget Group

PROGRAM FUNDING

The WSSC Capital Improvements Program is funded through a variety of sources described below.

WSSC Bonds

The WSSC raises revenue for CIP projects by issuing water and sewer bonds. These bonds are amortized through periodic charges to the users of water and sewer services. Bond funding for the FY17-22 CIP, as recommended by the Executive, is \$1,403.8 million.

System Development Charge

The System Development Charge (SDC) is a charge to new development to pay for the part of the CIP which is needed to accommodate growth. The WSSC collects SDC revenue from charges to builders based on the number and type of plumbing fixtures installed in new construction projects. The Executive recommends that \$6.4 million in SDC funds be used to fund growth projects in FY17-22.

State Aid

The total State Aid budgeted for the FY17-22 CIP and recommended by the Executive is \$21.8 million. WSSC asserts that all Commission projects receiving State Aid conform to the requirements of local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

Municipal Financing

The WSSC CIP contains projects in which neighboring jurisdictions such as the District of Columbia and the City of Rockville join the Commission in financing the construction of sewerage facilities serving the metropolitan area. These jurisdictions contribute an agreed-upon share of the project cost. A total of \$15.9 million in project expenditures is recommended to be financed by these jurisdictions during FY17-22.

Contributions

When the actual costs of water and sewerage facilities required to serve new development are estimated to exceed expected revenues, the difference may be financed by developers in the form of contributions. Contributions toward CIP projects are estimated at \$30.0 million for FY17-22.

STATUTORY AUTHORITY

The Montgomery County CIP review process for the WSSC is governed by laws and regulations of the State of Maryland, the Montgomery County Charter, and the Montgomery County Code. Relevant projects authorized for Montgomery County review include only Montgomery and Bi-County water and sewer projects.

The Montgomery County Executive reviews relevant WSSC CIP proposals and includes them, along with comments and recommendations, in the Executive's Recommended Capital Improvements Program. After a public hearing and subsequent committee work sessions, the Montgomery County Council approves by resolution WSSC's six-year capital program and annual operating and capital budgets, with modifications as desired.

Bi-County projects are projects located completely or partially within Montgomery County or Prince George's County that are designed to provide service in whole or in substantial part to the other county. A proposed Bi-County project may be disapproved only with the concurrence of the governing body of the county which is to receive the designated service. However, the county in which the project is to be physically located has the authority to direct modifications in project location and scheduling, provided that such modifications or changes do not prevent the service from being available when needed.

This authority to modify location may only be exercised during the year in which the project is first introduced. Thereafter, the authority to make modifications is limited to those changes that would not result in substantial net additional costs to the WSSC, unless the county directing the modification reimburses the WSSC for any additional net cost increases resulting from the modification.

The WSSC is responsible for constructing approved capital projects on a schedule as close as possible to the schedule set forth in the adopted CIP. The Commission is limited to undertaking only those projects which are scheduled in the first year of the program. However, it is not obligated to implement any project determined to be not financially feasible.